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ABSTRACT

This paper argues that present institutional settings in rural Australia are inadequate for bringing about a culture that is fair and inclusive. A vision for rural Australia based predominantly on a market economy and its attendant policies and institutions allows the "means" (the market) to determine the ends and may lead to an undesirable type of society. An institutional framework directed solely to market solutions has the potential to contradict important social, cultural, and spiritual values and may lead to overemphasis on materialism, competition, and selfish individualism. These characteristics may undermine "community" and the very fundamentals that make markets work--trust and the security of reliable, honorable transactions. A solution lies in rural policies that support infusion of new values into institutions--values of empowerment, cooperation, spiritual growth, caring, and tolerance. Concepts of "community" must be revived in the context of a lifelong learning culture supported by social capital. This context would include enabling programs and activities that involve information generation and use, facilitation of change, capacity building, leadership development, and action research. Other related issues include the relevance of money and appropriate economic relationships, positive and negative aspects of competitiveness, work as enrichment, the influence of property rights, the role of women, contributions of the arts to a new culture, and policy guaranteeing minimum income. (Contains 64 references.) (Author/SV)

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Cooperation and Tolerance: Restoring our economic system

Onko Kingma and Ian Falk

Paper for the symposium *Australian Values: Rural Policies*, Canberra, 28–29 August 2000

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COOPERATION AND TOLERANCE: RESTORING OUR ECONOMIC SYSTEM

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Centre for Research and Learning in Regional Australia, University of Tasmania
Paper for a Symposium *Australian Values – Rural Policies*
Canberra, 28-29 August 2000

Abstract

This paper argues that present institutional settings in rural Australia are inadequate for the task of bringing about a culture which is fair and inclusive. The solution is seen to lie in policies for rural Australia that support an infusion of new values into our institutions – values associated with the development of bridging ties and relationships through cooperation, goodwill, common-wealth and tolerance. Design and re-design of institutions with such qualities will require engagement of the community in new ways. In the first instance, informed debate is required on values and options, involving analysis of scenarios for and the implications of, change. Concepts of 'community' must be revived in the context of a lifelong learning culture supported by social capital. Revised approaches to work and learning, improved processes for community and stakeholder involvement, policies to more actively involve women, a central role for the arts, and re-assessment of property rights arrangements, are seen to be important tools for change.

THE SHORT PAPER

1. The basic premise of this paper is that a vision for rural Australia based dominantly on a market economy and attendant policies and institutions which reinforce market outcomes as the preferred outcome for society, may not lead to the type of society we might want in the 21st Century.

2. Such a vision allows the *means* (the market) to determine the *ends*, where the ends are, by default, the characteristics of society which emerge from economic actions within markets.

3. The institution of 'the market' is itself a sound instrument for the transfer of information and for bringing buyers and sellers together. However, unless markets operate within an appropriate institutional framework which does not alienate people or erode social capital, then market outcomes may not express the preferences of society as a whole.

4. An institutional framework directed solely to market solutions can have the potential to contradict important social, cultural and spiritual values and lead to overemphasis on materialism and competition, and foster selfish individualism and greed. These characteristics can also have the potential to undermine 'community' and the very fundamentals which make markets work - trust and the security that transactions and other dealings will be reliable and honoured. Research shows a strong community precedes and is a precondition for strong and sustainable markets.

5. A preferred way is to re-establish sustainable communities in which people are empowered and participate fully and effectively. This requires the design of institutions which give expression to 'community', cooperation, goodwill, spiritual growth, caring, tolerance and (positive) social capital, and which lead to congruence between market outcomes and what people want.

6. This latter situation requires engagement of the community in a new way and better articulation of, and debate on, what it is we want and what sort of society we wish to live in - debate on values is required to clarify our goals (*ends*) and facilitate development of strategies to achieve these. This must be done in an holistic way to avoid piecemeal solutions.

7. Prior agreement on goals and strategies would then allow us to devise best ways (*the means*) to achieve these – the best means may still be the market but, rather than be left to generate their own outcomes, markets would likely be moulded through institutional change, to achieve the required goals.

8. The nature and quality of institutions and the processes to change these are therefore seen as crucial to bring about a learning culture and produce social capital. In this regard, areas where policy action can act as a catalyst for institutional change might be: encouragement of local processes and leadership; strengthening of communities; encouragement of participatory consultation and decision making; facilitation of local trading schemes; introduction of different concepts of work; support for minimum incomes; regulatory action to encourage tailoring of the scale of business and institutions to local conditions; expansion of community cultural development through the arts; and the fostering of diversity and the empowerment of women.

1. Introduction

Few areas in our society stand out as more in need of policy attention than rural Australia. In its present Regional Australia Strategy, the Federal Government (Commonwealth of Australia, 2000) has moved some way towards developing a partnership with regional communities and other stakeholders. Similarly, State and Territory Governments have in various ways, implemented regional policy packages in recognition of the issues in regional areas. Despite these sound policy efforts, more should now be done to develop an inclusive, coherent and integrated policy approach to rural concerns across portfolios and between stakeholders. The recent ACF-NFF, (2000) paper states there are clear warnings that landscapes are not being used or managed sustainably, causing corrosion of rural and regional infrastructure and impacting negatively upon our industries and economic and social activity. The ACF-NFF paper argues we need to invest in a strategic vision for sustainable rural landscapes.

We believe the economic and social issues in rural areas cannot be resolved within the present institutional framework. A structural shift in institutions and policies is therefore required to create a more inclusive and fair society. The central issue is creation of social capital through appropriate institutional settings. Social capital is not only the means for bringing about the required change but the product of such change (e.g., Allen, 1998; Falk & Kilpatrick, 2000). Thus an upward spiral of positive change can be created which integrates economic, environmental and social issues and has the characteristics of cooperation, tolerance, equity and community.

We first outline the reasons for our views and then suggest a number of areas where reform or a shift in policy priorities might be of value. The intention is to provide sufficient discussion to make two related points: (a) biases possible in our mixed capitalist economy are potentially such that handing control of the distributional and allocative process to the market is not likely to 'bring in' the different culture discussed here - analysis and planning is required to ensure expression is given to the wishes of the community before (economic) instruments are set in place – and indeed as important preliminary local input into any external interventions; and (b) answers to our dilemmas do not lie simply in providing greater sanction to the institution of the market and its associated mechanisms - they lie in changing the underlying framework within which we conduct our economic and social activity. Markets will have an important role in such a different culture, but their present status as the *only* determinant must be broadly challenged as being demonstrably unsuccessful (Rifkin, 1999; Saul, 1997).

2. Key Arguments

2.1 Situation in rural Australia

Rural Australia is undergoing massive change driven by a range of factors, most of which are, but need not necessarily be, outside the control of rural people (Allen, 1999; CRLRA, 2000). Change may occur through such externally driven intervention but the outcome, in general, is unsatisfactory and unsustained (e.g., Hugonnier, 1999), resulting in soured, unhappy and disenfranchised people who mistrust politicians and policy processes. This is because the fundamental (institutional) framework within which people live and work alienates them and debases those values necessary for a

sustainable balanced society. Rural statistics show escalation in crime, suicide and social dislocation, all signs of imbalance and unsustainable growth. Inequality has grown and democracy cannot function when inequality grows. The resulting mistrust, which underlies all these symptoms, results in a negative cycle of impoversihed social cohesion (Guenther & Falk, 2000; Winter, 2000a).

2.2 Community preferences first – then market outcomes

The spectrum of possible action to change the above is extensive. At one end, it is possible to continue with microeconomic reform and implementation of competition policy in all sectors (including services) with minimum further policy input. Here, there is no major policy issue - the policy *means* are the market, the *ends* are the market outcomes. Because the market is thought to express individuals' preferences, then, under this scenario, the outcomes are allegedly what society wants. No further argument is needed.

At the other end of the spectrum, there is the possibility of a fundamental re-think of values and an innovative policy development process to bring into play new institutions and ways to re-enfranchise rural Australia. Here we first want to know the *ends* or outcomes we want and only then should we turn attention to the *means* or best ways to achieve these ends. There are major new policy issues here. The means may in many cases still be the market but under this scenario, new institutional settings could well generate totally different market outcomes.

We argue that the latter end of the spectrum is in fact the only one that will produce trusted and sustainable outcomes for the economy and the improvement of social cohesion. That is, we argue for the re-establishment of sustainable communities in which people are empowered and participate through the development of coherent common community goals, in which there is vision that includes individual as well as institutional and organisational aspirations and values, broadly based (but not only business) leadership and where there is congruence between market outcomes and what people want. As noted, markets will still play a vital role in this latter case but markets become tools for achieving a common purpose, rather than being regarded as ends in their own right. Importantly, an outward looking, global orientation and efficient business is still relevant to this scenario. We must stay with the world and be open to all challenges.

Some say that this is a debate we have already had and, indeed, forums like the recent Regional Australia Summit, have successfully resulted in achieving a higher profile on the issues and tradeoffs (see Regional Australia Summit Steering Committee, 2000). However, the wider debate in this context, is still very much from the viewpoint of the established policy position. There are other ways. Solutions include changing the institutions within which people live and work - change institutions and you change behaviour and hence market outcomes. Examples of some changes in institutions are discussed in Section 3.3 in relation to developing 'learning communities' and in Section 3.9 in relation to the arts.

Institutions can be broadly defined as the set of acceptable behavioural rules that govern action and relationships – social norms, ways of doing things and ways in which individuals and groups interact to achieve ends. These norms are given expression through property rights, regulations and law. By giving access to income

streams and power, institutions largely determine the distributional characteristics of society. Who benefits and loses from institutional arrangements, who seeks to acquire property rights and who does not have access to property rights, are all important questions.

The term "social capital" is closely linked to the term "institutions". Social capital, discussed in more detail in Section 3, is the networks, norms, trust and bonding, bridging and linking ties involved in working together (Winter 2000a,b; Latham, 2000). Its hallmarks are reciprocal activities such as cooperation, sharing, giving to others and goodwill - the very opposite to self-ish competition. Social capital has no meaning outside of human relationships - it is the glue of relationships and facilitates economic and social activity. Social capital is embedded in the relationships between people and created by families, communities and regions and the nation as a whole for the benefit of all members. The capacity to motivate and activate our knowledge, physical and human resources is dependent upon the stock of positive social capital.

2.3 Values important

Our mixed capitalist society fosters 'self-ish' individualism (ie. rational, self-maximising behaviour). There is a growing gulf between our preferred values (equity, egalitarianism, etc) and what we practice (self-ish competitiveness, aggressive individualism, materialism). Economic growth is increasingly at the expense of other equally as important values of 'community', while social and cultural problems are reduced to the economic. This can be destructive of inclusive values and attempts to synthesise economic, social, environmental, cultural and spiritual goals (Bradbery et al, forthcoming; Cox, 1995; Latham, 2000; Winter, 2000b).

We argue society *including* the market, now needs to be re-infused with values of cooperation, goodwill, common-wealth and compassionate respect for each other (tolerance) and life. When more inclusive goals such as sharing, cooperation, goodwill, spiritual growth, caring and concern are increasingly valued and recognised in policy formation processes, then current values like greed, self-ishness, competitiveness and materialism will no longer be the sole drivers of markets (for a discussion of these points see Winter, 2000a).

Infusion of such new values into our institutions will give the key to a sustainable future. A debate about values is therefore important, and this debate must come prior to implementation of policy.

2.4 New institutions as the solution

The above really stakes out a claim that the fundamental economic model underlying (rural) reform is not of itself flawed but that it is the institutional characteristics and arrangements within which this model operates, which are wanting. It is the settings in which markets are asked to work which gives expression to economic and social behaviour. Where authority and detailed outworking for these settings is left to the market (ie. to those with vested interests in ensuring personal outcomes and gain) then by default, markets will reinforce current institutional settings and will also give biased outcomes favouring those with existing property rights. The result is reinforcement of the industrial system as it is, to the detriment of social capital, equity and balanced social development (Winter, 2000a,b; Latham, 2000; Stewart-Weeks, 2000).

The solution to this problem (and the hard work) lies in collaboratively designing new institutions which give expression to the above values (see, for example, Cox,1995, 2000; Latham, 2000; Winter, 2000a; Stewart-Weeks, 2000). Rifkin (1999) has argued the necessary changes will have to come about through regeneration of the 'Civil Sector' in our society (see Section 3.3). This is difficult as it requires engagement of the community in a new way. It requires answers to questions like - who are the beneficiaries and losers of economic change and what constitutes social democracy and a fair distribution of wealth. Also, and unfortunately, redesign of institutions by definition, involves changing property rights - the rights and privileges of those in power. Such change is most always opposed because of the potential for those with present rights and power to lose. Such change is also almost always lost, because those in power also have the resources – money and control of democratic processes - to either not take up or prevent change.

It has been argued in the above sections, that in a society founded largely on neoclassical economic principles, there is likely to be the potential to contradict important social, cultural and spiritual values. More importantly, these principles in action (such as self-ish individualism and competitiveness) have the potential to undermine the very fundamentals which make markets work - trust and the security that transactions and other dealings are reliable and will be honoured. Right economic relationships and concepts of trust, sharing, cooperation and stewardship are therefore more than superficially important (Stewart-Weeks, 2000).

3. Cornerstones of New Policy

In the process of shifting to a different culture, we must be cautious not to reject important parts of present policies. We must continue to encourage expression of entrepreneurial drive, adoption of new technologies and striving to realise individual and group potential. Sound policies will always be required in areas such as: **Commercial enterprise** and forging of strong market driven linkages between sectors, regional communities and industries, consistent with policies for value adding, food and food safety, quarantine, health, and so on; **Productivity growth** to foster an efficient and technically advanced rural industry base which is commercial and market oriented and which encourages sound risk management, structural change and uptake of appropriate technologies; A **strong capital base** to facilitate development of natural and other resources consistent with ecologically sustainable development and social justice principles and using leading edge technologies and management processes, and encompassing financial/investment, human, knowledge, infrastructure and physical capital; and **Information and knowledge** to monitor and analyse the impact of change in farming communities and assess the effectiveness of policies across jurisdictions, including bringing about adequate decision support in areas ranging across provision of information markets, lifelong learning and education/training, telecommunications infrastructure, and so on.

The importance of these policies and the need for an outward looking, global orientation in policy and economic activity is not at issue here - we must stay with the world and be open to all challenges – be drivers of change rather than be driven by it. In a similar context, policy and program elements of the Federal Government's Regional Australia Strategy (Commonwealth of Australia, 2000) and the various

regional initiatives of State and Territory Governments, are a valuable part of a movement towards a more inclusive society. The Regional Australia Strategy embodies principles which recognise the need to involve and listen to stakeholders and is built upon the platforms of economic and business management, equity of services and community empowerment. As such the Strategy will help in a shift towards the 'different' society noted above.

What is important at this time is how we deepen the impetus for a shift to a different culture. Preconditions are a debate on values and options, analysis to inform this debate, a stocktake of our resources and their potential and clarification of rights/responsibilities and obligations/privileges of individuals and groups. The role of 'civil society' will be important in this context (Rifkin 1999). Some requirements and topics for debate to change institutions are discussed below.

3.1 Return to Community

There are many ways in which the term community is used. Hamilton and Barton (1998, p.251) have discussed the amorphous nature of community while Wild (1981, p.14) identifies four broad characteristics of community as: common identity; a physical location with geographic boundaries; a social system; and an ideal structure for living. Kenny (1994) has outlined early conceptions of community from a sociological perspective, noting the importance of the work of Durkheim (1960) and Toennies (1987), where community types are organised into two broad clusters - communities of commonality and kinship on the one hand, and communities of difference and competition on the other. In addition, Lave and Wenger (1991) discuss 'communities of practice' as groups of people in workplaces who share some common purpose in their engagement over a task to be completed. These definitions capture the fact that communities are defined by their inevitably social practices. However, the definitions do not articulate or elaborate on qualities of those practices related to the interactions between people, places, ideas and things.

Bates and Harvey (1975, p.198) have recognised the need to include consideration of place or local environment in any conception of community, while stressing this is not the only dimension involved. They argue, '... the human community consists of the behaviour system that exists within a given locality, which acts upon that locality and responds to it in terms of action'. However, Bates and Harvey (1975, p.198) caution the two ideas of place and community must be thought of as separate entities, since '...two different communities can...occupy the same area at different times' – social interactions spill over geographic boundaries and we can belong to different human systems within a single geographic area.

Taylor and Singleton (1993) have defined community in terms of the following characteristics: a) relations have a certain stability, i.e. participants in the community interact with some degree of regularity; b) members interact on several fronts; (c) relations are unmediated by the state; and d) members have shared beliefs and preferences which go beyond immediate collective action. The interactions inherent in Taylor and Singleton's definition of community are also identified by Bookchin (1990) and Bates (1997) under the broad heading of 'social ecology' and by Engestrom and others by 'distributed cognition' as a modified form of the activity theory of Vygotsky (see, for example, Cole & Engestrom, 1993). In the final analysis, Wilkinson's (1991, p. 13) definition of community is probably the most

useful, since it clearly relates community to interaction: 'Sociological definitions emphasize interpersonal bonds such as shared territory, a common life, collective actions, and mutual identity. The essential ingredient is social interaction. Social interaction delineates a territory as the community locale; it provides the associations that comprise the local society; it gives structure and direction to processes of collective action; and it is the source of community identity. ...The substance of community is social interaction'.

'Community' is the field of social interactions between people and their identities as members of groups. These interactions are at the core of successful interpersonal or group transactions, and also therefore at the core of any consideration of social institutions. They lay the basis, in terms of their quality and quantity, for a community's capacity to meet its present and future needs in other words for change. This argument is supported by Boyle (1981) who sees interaction at the heart of the concept of community and the 'viable social environment within which change takes place'. Fawcett (1995) has also placed emphasis on the importance of social interactions, linking these to a community's capacity for change. He has defined *community capacity* as the community's 'ability to pursue its chosen purposes and course of action both now and in the future' noting that for positive change to occur, interactions need to take place over a wide range of individual and organisational contacts.

In summary, 'a community' will form where issues of shared visions/beliefs/goals, perceptions, access to resources and services, and common causes are evident. The effectiveness of such a community is related to its stock of social capital. 'Community' in this context, is the term used to reflect a set of principles believed to be important as a basis for 'good work' and 'striving' to realise shared goals and objectives within a community (Schumacher, 1980). Both concepts are central to the sort of society discussed in Section 2.2.

There is a growing belief our society has largely lost the concept of community and this is in part a function of the values that motivate our economic system. Re-establishment of a sense of community can lead to a new culture in which the principles of equity and equality are seen as matters of right and in which a new relation of wealth holding to the community is established (Stewart-Weeks, 2000). Community is inclusive. It requires creation and re-creation of local institutions which embody the principle that the community as a whole should own and benefit from wealth. Re-establishment of community requires cooperation at all levels and particularly where people actually live and work (Latham, 2000). It requires concepts of work which will allow true participation of all in decision making processes based on principles of involvement, participation, and the subsuming of economic to wider social goals. It requires consideration of how we wish to live and the quality of life, *which then provides the basis from which to consider* questions such as how this can be achieved. Questions about *ends* must come before we can apply the *means* (eg the market) to achieve desired ends. Debate on these issues and underlying values is an important part of a shift to a different culture and the building of both social capital and that elusive thing, 'social cohesion'.

3.2 Sharing, cooperation and responsibility

Sharing is an interpersonal relationship, communing together, a group activity, a uniting, using together, brotherhood. It is the first principle of goodwill and its expression is social justice. Sharing is also distribution and contribution, both giving and taking. Equitable distribution of the world's resources and products must be a key principle of a new economic system. Only by the appropriate distribution of energy, whether as money or otherwise, will the ills of humanity be addressed.

Cooperation means working together towards the same goal, a common unity of purpose and action. Group service or working together for the common good leads to goodwill and tolerance. Appropriate concepts of 'work' and 'community' are the expression of cooperation. If cooperation and tolerance are central concerns then this requires review of ways in which we 'compete' with each other and how we use and conserve the resources and consumer goods and services, at our disposal. This has implications for the way in which we interpret the laws of supply and demand.

Responsibility is a recognition of the need for stewardship and the fact that we are answerable for the end results of our actions. One of its expressions is ecologically sustainable development. Responsibility requires acknowledgement and then the will to act. Goodwill in action is required to build social capital. Taking responsibility is an acceptance, a 'receiving', related to 'as we work so shall we receive'. Such an approach is different from a market model driven by self-ish motives.

These issues all have implications for our market models of economics, requiring debate and the support of this debate with sound analysis.

3.3 Social capital and learning communities

It would be interesting – but only interesting – if the arguments presented in this paper were solely in the realms of the rhetorical. There is, however, a body of research that converges on certain principles in support of our arguments. In other words, empirical research now exists to support our contentions that markets by themselves will not achieve rural policy aims - in fact, a strong community precedes and is a pre-condition for strong and sustainable markets (Gittal and Vidal, 1998; Rifkin, 1999).

To achieve a 'strong community' we must now focus on community building processes through: (a) re-orienting policy strategies towards community capacity building (Guenther and Falk, 2000); (b) establishing how a new form of enabling leadership can be fostered (Falk and Mulford, 2000); and (c) facilitating the growth and development of learning communities (Falk and Harrison, 1998) that are flexible and responsive to changes in both community values, changing labour market requirements (Gittal and Vidal, 1998; CRLRA, 2000) and environmental stewardship.

Woolcock (1998, p.155) describes this social process as 'encompassing the norms and networks facilitating collective action for mutual benefit'. Portes (1998, p.7) observes that, 'Whereas economic capital is in people's bank accounts and human capital is inside their heads, social capital inheres in the structure of their relationships'. Trust emerges in Putnam's (1993) work as an important dimension of social capital. Trust is variously described as the critical component of any social cohesion (for a summary of this debate in the Australian context, see Winter, 2000a,b; Stewart-Weeks, 2000).

There is a strand of literature which recognises that social capital has a role in contributing to the production of desired socio-economic outcomes (described in some detail in Woolcock, 1998, and, in the Australian context in Winter, 2000a), yet it is not measured in traditional economic analysis. However, in order to make use of social capital in the production of desired socio-economic outcomes, we must account for the *processes* which produce social capital. These processes are conceived as learning when they are used positively by communities towards commonly valued purposes. Learning such as this, occurring as it does among communities of people, is called *community learning*. The communities of learners are therefore called *learning communities*. This is in line with existing research which variously makes connections between social cohesion, civic and economic wellbeing and the social processes which contribute to such beneficial outcomes (Falk & Harrison, 1998; Kilpatrick et al., 1999; Flora et al., 1996; Young, 1995).

A central element of a shift to a new culture is therefore effective community processes of consultation, communication and decision making that are participatory and inclusive (see Winter (2000a,b) and in a regional context, Kingma and Beynon (2000)). This emphasis on the importance of local and collaborative planning, or 'endogenous planning', and is established as the most successful and sustainable (Hugonnier, 1999) form of developing community capacity and social capital (Allen, 1999). Endogenous planning means that the broad cross-section of the community must be engaged. Effective relationships – those that build trust reciprocally – must be forged and reinforced through communal and valued activities while resolving conflict situations in a way that builds rather than depletes social capital and trust (Allen, 1998; Guenther and Falk, 2000). These activities create a learning community that has agile responsiveness to changes, and can respond to the emerging need for, for example, new skills for new industries.

The importance of the 'right kind' of social capital has been discussed by Guenther and Falk (2000) and Winter (2000a) in relation to social capital's mechanisms of *bonding ties* (those interpersonal links between like-minded people), *bridging ties* (those links to outside influences and information from communities and groups) and *linking ties* (links from communities and groups to public and private agencies and enterprises). Bonding ties are essential in the formation of strong communities, in that they create cohesion or solidarity between groups and community members with similar interests. However, bonding ties without the balance of bridging ties and linking ties becomes dangerous and self-defeating, because they are often used to exclude others, and to reinforce ill-informed views that relate to, for example, racial intolerance or gender biases. The implications of this point for the design and re-design of institutions and for use of accountability measures around the development of *all three* kinds of ties, are significant.

Enabling leadership at the community level (Falk and Mulford, 2000), or 'civic entrepreneurialism' as it is also called (Melville and Walesh, 1997) becomes an essential ingredient in the building of community activity and capacity. Processes which involve all stakeholders in participatory decision making will be best – those that are actually and perceived as inclusive, and that build skills, capacity, community structures, governance and power relationships between stakeholders. The structure of relationships and factors which influence these and associated enabling policies are therefore crucial to good outcomes (Kingma and Beynon, 2000).

The above gives some insight into the institutional base necessary to bring about a 'different' society. To aid this process, enabling programs will be useful, involving activities such as information generation and use, facilitation of change, fostering of education, training and learning, capacity building and encouragement of leadership. Action research will be important to inform the above processes.

The re-design of public policy to achieve the above has been discussed by Rifkin (1999) in relation to regeneration of civil society, and in the Australian context by, for example, Cox and Caldwell (2000), Latham (2000) and Stewart-Weeks (2000). Latham, for example, has set out a number of strategies which involve: looking outside the conventional methods of government; re-inventing governance through institutional change; the transfer of power to communities of interest; devolution of responsibility and review of 'scale' of operations (see Section 3.6); and the striking of a new balance between competition at the point of market exchange and cooperation in the production of goods and services. Similarly, Stewart-Weeks has argued the logic of social capital requires: radical change in the methods, structures and values of public policy; change in resource allocation and accountability systems which tend towards uniformity and control at levels beyond 'locality'; policy responses which are place and people specific and grounded in local needs and circumstances; re-discovery of the strength of 'community without politics' or motivation through 'public purpose'; and a focus on strong relationships at all levels.

Rifkin (1999) has addressed these issues in the context of the role of civil society in bringing about sustainability. His argument is that because the formal market economy is increasingly less able to create permanent employment and because governments are retreating from many of their traditional roles, then the civil or cultural sector will now be the best vehicle for employment, regeneration of community and sustainability. Aside from environmental issues, his frame of reference for policy analysis is the economic sector, which now includes both the market (private) and government sectors, and 'the third sector' – the civil sector. Rifkin (1999) argues the civil or cultural sector tends to be taken for granted but in fact, underpins economic activity and is the 'keeper' of social capital. Policy should therefore, be directed towards regeneration of this sector.

3.4 Relevance of money

True peace in our time rests on economic relationships which foster our stock of (good) social capital. Sharing, cooperation and responsibility are governed by right use of money. Money is really a convenient package of energy and like all energy - it is of itself neutral. When we use money correctly we are working with the energy of giving and sharing. When we use money incorrectly we are using the energy of desire which leads to selfish possession and materialism. Application of the principles of goodwill leads to establishment of right human relationships. Money is a symbol or an expression of the energy of goodwill. Thus, right acquiring and use of money is a key to right human relationships. This has implications for the view of money as a commodity, the structure of work and our disposition towards the economic activities we undertake.

Revision of the way we think about money and interest rates so that money is once again simply a means of facilitating exchange rather than a commodity in its own right, will be important in a culture based on the principles in Sections 2.3, 3.2 and 3.3. Use of money as a public service instead of a private good which can be hoarded and allowed to accumulate interest, would radically change our economic system. Instead of paying people a reward in order to bring surplus money back into circulation a small penalty would accrue on money not brought back. In these circumstances, money would be made to 'rust' or be subject to a 'use fee' with the result that speculative holding of money would decline while investment in 'real' structures would increase. The analysis of such changes should receive higher priority.

A mechanism which can help in encouraging the right use of money is use of modified barter systems such as the Local Exchange Trading System (LETS) which uses sophisticated information technology to facilitate production and exchange in localities (see for example, Skrandies, 1991). Units of barter are treated like credit points with no fixed value of themselves. Units are worth nothing unless used. No interest is accumulated. There is no inflation and no speculative activity. The goods or services are purchased. The individual accrues a debt to the community and vice versa if goods and services are sold. The focus is on 'real' activities at the local level. A computer system maintains an accounting system and details of goods and services on offer. Some 200 such systems already operate in Australia. Apart from overcoming problems of limited availability of money locally, such systems, by improving relationships with others, have positive effects in local communities. Such mechanisms should be more widely explored and debated.

3.5 Concepts of Competitiveness

Competition policy and microeconomic reform are policies designed to facilitate efficient operation of markets with minimum (government) influence, and where the institutional setting is steered towards giving expression to materialistic business activity in the belief participants (read business) know what is the best outcome for society. However, as noted, markets if left to themselves, may not evolve in sympathy with community values. In the absence of regulations the private sector will by default develop its own rules of business. These rules will invariably be oriented towards firms capturing and exploiting the resources which will facilitate their operation and profit making. Because outcomes of this process may be narrow and destructive of values, care must be taken to ensure markets operate within socially responsive institutions.

In this context, concepts like 'competitiveness' require analysis. The term 'competitiveness' generally means striving against other players to gain superior production and marketing position. But as noted in Section 3.2, a different form of competitiveness is required to fit with the principles noted above. A better definition includes words like cooperation, sharing, and team work - systems of networked highly informed firms and industries working together within a framework which facilitates and encourages innovation and creative work. This system would not play people off against each other and would not leave a significant proportion of the workforce unemployed. It recognises the contribution of our most important resource, namely, people and is not directed towards individuals winning at all costs. Because this latter definition of competitiveness is not the same as that of neoclassical

economic theory it raises issues about the appropriateness of this theory as a construct for making community wide economic and social decisions.

3.6 "Work" in the market model

Similar arguments apply to the definition of work in economic theory. Work is defined as a disutility to be minimised. Associated definitions of productivity define labour as any other inanimate factor of production. However, in general, activities of an integrated nature which foster work as enrichment are likely to be most conducive to highly productive social systems. As noted below, opportunities for this type of work are likely to be greater the more control the individual has over production processes and within limits the less the division of labour. Present concepts of economic efficiency and productivity may therefore be at odds with individuals' desires as both producers and consumers. Reinforcement of these concepts may therefore be preventing a shift towards the type of society discussed earlier (Gee et al, 1997; Harvey, 1982).

In future societies development of alternative concepts of work may be an essential ingredient in maintaining healthy and growing communities (see for example, Rifkin 1999). There are implications for economic theory here and questions about whether Australia's present industry and bureaucratic structures contradict the values we wish to affirm.

Further biases may arise from unquestioning endorsement of large scale business and associated trends in technology. Beyond a certain size of enterprise, benefits arising from scale and the division of labour may break down. With a change in the nature of work whereby decision making is separated from manual tasks, these tasks may become routinised and adversely affect the productivity of individuals. Without integration of work functions, creativity, innovation and effort may decline and individuals may become passive towards their work environment. Under these circumstances further labour-saving technology may reduce productivity. Alternative concepts of work may be required to ensure sustained productivity growth.

Through its potential to control the development of communities and to influence what are appropriate resources and acceptable production systems, large scale business may have further effects counter to the requirements of 'community'. Once power to control development shifts beyond the locality to large-scale centralised organisations, community values, employment activities and production and consumption patterns become determined outside the locality. With this can come a loss of identity, self determinancy, self-sufficiency and motivation within communities. The most appropriate scale of units of governance and business is therefore an area warranting investigation.

The same applies to the scale of institutions which, if set too broadly may affect local autonomy. High costs can be imposed on particular groups such as smaller rural communities if the levers for change are embedded in distant policy. If institutions are designed for larger, regional areas, property arrangements are likely to favour groups outside the particular locale where problems may be addressed most effectively. Tailoring of institutions to local requirements is therefore also an important area for policy research and debate.

3.7 Property Rights

The economic model underpinning our society has the capacity to bring forth an infinite array of technically efficient sets of relative prices – only one set will be consistent with prevailing institutions. The nature of these prices and the social sanctions they possess derive from the institutional base. Different behaviour and relative prices will emerge with different institutional arrangements.

'Free market' prices generated by private enterprise are generally sanctioned as they are thought to reflect the preferences of individuals. They do but only to the extent to which they are channeled and constrained by the existing institutional arrangements. Prices simply reflect the outcome of entrepreneurial decisions conditioned by present property arrangements. For example, property arrangements may not reflect the desires of some individuals who cannot influence 'free market' decisions because their bargaining position is not counted. Similarly, which costs will be counted by which decision makers and hence, which outcomes are deemed to be efficient, is determined by property arrangements – not 'free markets' per se.

To the extent present property arrangements do not accurately reflect the wishes of society, then market outcomes may be biased in favour of those with present property rights and in favour of the status quo. Analysis of alternative institutional settings is, therefore, an important precondition and catalyst for a shift to a different culture.

3.8 The Role of Women

As noted, our organisations and communities have tended to be characterised by (masculine) values of competitiveness, independence, rationality, discipline, toughness, unyieldingness, hierarchical interaction, rules oriented operation and so forth. If allowed to dominate, these are all values seen to be destructive of social capital. It is values of inclusiveness, cooperation, collaborative behaviour, networking, adaptability, compromise, relationship, open approaches to learning, exploratory decision making and so forth, generally identified as 'feminine' values in organisations and communities, that will now have to come to the fore in a yin-yang balance with masculine values, if organisations and communities are to perform effectively in the changing competitive environment in Australia (Belenky et al, 1997; Dempsey, 1992; Reinharz, 1992; SCARM, 1998; Kirby et al, 1996). These views are supported by Rifkin (1999) who argues women have long been the mainstay of the civil sector and will thus be at the forefront of a movement grounded in the politics of social capital and the restoration of civil society (see Section 3.3).

Strategic capabilities will become the basis for new concepts of competitiveness described earlier. This implies the advent of more integrated and holistic processes; networks and linkages; participative and inclusive leadership; collaboration, interdependence, sharing and cooperation at local and regional levels; and community processes which engage all stakeholders. Only relationships of a close and enduring nature will now be able to handle the complexity of communications in knowledge based industries (Haas et al, 2000).

While not wishing to enter into the debate about differences between men and women, there is no doubt an expanded role for women in our present environment would engender increased cooperation and develop group spirit and place economic issues in a wider social and cultural context (SCARM, 1998; Kirby et al, 1996). Success will

depend upon our ability to form inclusive communities and create organisations made up of individuals pledged to serve the group. This does not mean eliminating present values but complementing these with another set of values which will foster social capital. Policies in these areas are important.

3.9 The Arts

The performing and creative arts have the potential to assist in bringing in a new culture and overcoming the tyranny of the market. The arts provide not only a basis for creative activity but also for moving beyond economic efficiency to broader concepts of productivity and providing a vehicle for communication on change. The arts also have further direct and indirect economic benefits - they are labour intensive, increase satisfying employment, are environmentally responsible and tend to have high multiplier effects.

The goal of freedom for individuals and groups includes the opportunity for people to determine their own destinies and to have satisfying lives through developing their potential, being creative and taking initiative. Freedom includes sufficient time and opportunity to allow everyone to enjoy a physically, emotionally, culturally and spiritually fulfilling life. The arts have the potential to provide the bridge from narrow profit-based activity under economic growth policies, to socially useful activities which fulfill the goal of freedom. Examples of such activities have been discussed by Kingma (2000) in the context of the community cultural development programs and projects of the Australia Council.

There is no doubt the present culture has the potential to degrade the arts with long term detrimental effects on our society. There is an extensive economic literature which argues a legitimate case for government funding of various art forms within a culture of economic growth, yet very little attention is paid to the role of the arts in regenerating our culture and contributing to well being and survival.

The analogy with our physical natural resources and ESD provides significant insight for the arts. Industry and government realise better use and management of our natural resources is vital for business survival, the economy and the planet. Accordingly, effort has been made to formulate policies to revitalise and sustain these resources. This has not happened for the arts but the case is strong.

If thought and creativity are our greatest natural resources and if these are in danger of degradation then similar policy efforts should be made to revitalise and sustain the arts.

3.10 Minimum incomes

A policy of minimum incomes can release people from the tyranny of the market. The idea is not new and was discussed by authors as early as the 1970s (Galbraith, 1973 Ch. 25; Manning, 1981). Freedom of individuals within a capitalist economy could ultimately be encouraged through provision of a guaranteed income to individuals as a matter of right. This is not aimed at alleviating poverty but rather at facilitating effective democracy. To achieve this, individuals must have reasonable economic security.

Minimum incomes could break the productivity treadmill and expose the myth of full employment. Room would be made for the development of economic activities not moulded by industrial processes. Individuals could be freed from undesirable labour processes but could still choose to provide labour should they wish to accumulate assets. Technology for highly profitable production processes could be developed more easily and without overwhelming local communities. This technology would no doubt become more capital intensive. Benefits from technological change could more easily become a source of wealth rather than a source of unemployment and social decay.

Similar arguments have been used by Rifkin (1999) as a basis for identifying the resources for regeneration of the civil sector. He argues a small proportion of the wealth in the 'high tech' economy could be taxed and redirected towards re-building communities, social structures, the arts, infrastructure and the civil sector generally. This would not only help to create a sense of common purpose and provide the basis for creation of social capital, but also ensure continuation of the institutions necessary for a sound market economy (see Sections 2.2, 2.4, 3.1 and 3.3).

This issues here are not ones of equity but are a matter of attempting to ensure conditions for a true democracy are met in a society where industrial and bureaucratic structures may have grown beyond a size which ensures full participation of all members of the community. These and other such concepts require more research and debate.

4. Towards a 'different' society: institutions and social capital

We have argued the present policy philosophy which allows the *means* (that is, the market) to determine the *ends* (market outcomes) is no longer satisfactory as a basis for creating an economically, environmentally and socially sustainable society. This philosophy must be reversed so that the *ends* we wish to achieve are identified first, before the *means* to achieve these ends are decided. In this latter context, once our vision, goals and objectives, and the preferred ways to achieve these are identified, markets may still turn out to be the preferred and dominant policy instrument (or means) - but, more than likely, markets would be required to operate within a different institutional setting. In the same context, this shift in thinking does not mean abandoning many important current policies which position us in the global economy – an outward looking, global focus will always be important. In similar vein, policies like the Federal Government's Regional Australia Strategy (Commonwealth of Australia 2000) with its emphasis on equity of services and community empowerment, are also valuable in helping to create an environment to bring about the changes envisioned here.

Consideration of our preferred vision and societal structure for Australia (our *ends*) before deciding on how we should achieve this (the *means* to achieve our goals) implies prior knowledge about values, desired outcomes and futures for (rural) Australia. It does not imply large scale planning. It does mean that sufficient information and analysis be available for effective decision making on options – and this is not the case at present. Debate on values and how we want to live will likely highlight the need for change in the institutional base. This is so because the institutions which emerge from the present market policy philosophy are dominantly

economic in nature and supportive of business. These institutions are reinforced by actions within markets, which, within the present economic framework, will reflect the characteristics of their main players - those with economic power and property rights. Underlying values of these players are supportive of competition, profit making and self-ish behaviour, seen here to work towards inequality, lack of cohesiveness in society and disenfranchisement of a significant proportion of the workforce.

New institutions are required before there will be a significant shift to a different culture. Some of the values and requirements for such a shift are discussed in this paper. Concepts of 'community' and social capital are central to such a shift. Enabling policies will be essential to restore the trust, capacity and incentive to generate the required innovative cycle and create social capital. Revision in the way in which money is perceived, as a public service rather than a speculative commodity, will enable change – local exchange trading systems will be valuable in the first instance. Similarly, revision in concepts of work, the role and scale of business and the scale of institutions, will be important. Minimum incomes policies can act to break the tyranny of a 'free' market based society. An informed debate on rights/obligations and responsibilities/privileges inclusive of those who either have no property rights or have no power to argue for rights, will aid a shift to a different culture. Finally, special policies should be implemented to enfranchise women and foster the creative arts. By embodying the values, ways of thinking and work patterns required at this time, women can help as a catalyst for change. Similarly, the arts can help to accelerate change because they foster those community social and cultural processes, relationships and broader concepts of work required to achieve a shift to a different society.

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